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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Form 10-Q

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Quarterly Report Pursuant to Section 13 or 15(d) the Securities Exchange Act of 1934

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For Quarter Ended March 31, 1992 Commission file number 0-19855

SERAGEN, INC.
(Exact name of registrant as specified in its charter)

Delaware	04-2662345
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)
97 South Street, Hopkinton, MA	01748
(Address of principal executive offices)	(Zip Code)

(508) 435-2331
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ___ No (2) x

12,042,792 shares of Common Stock par value $.01 were outstanding on May 13, 1992.

Total Number of Pages: 13
Exhibit Index at Page 11

SERAGEN, INC.

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No reports on Form 8-K were filed by the Company during the quarter ended March 31, 1992.	
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SERAGEN, INC.

BALANCE SHEETS

	December 31, 1991	March 31, 1992 (Unaudited)	Pro Forma March 31, 1992 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ —	$ 410,832	$ 23,835,350
Restricted cash	2,240	—	—
Prepaid expenses	253,889	1,329,282	203,312
Other current assets	9,300	23,034	23,034
Total current assets	265,429	1,763,148	24,061,696
Property and equipment, net	5,435,809	5,499,557	5,499,557
Other assets	61,699	60,727	60,727
Total assets	$ 5,762,937	$ 7,323,432	$ 29,621,980
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY			
Current liabilities:			
Demand note payable to bank	$ 10,000,000	$ 10,000,000	$ —
Demand note payable to majority stockholder	60,286,408	66,486,408	—
Accounts payable	485,566	571,447	571,447
Accrued interest	64,625	55,482	—
Accrued expenses	825,679	1,670,354	1,670,354
Current portion of obligations under capital leases	27,793	21,032	21,032
Total current liabilities	71,690,071	78,804,723	2,262,833
Obligations under capital leases	21,803	21,803	21,803
Stockholders' (deficit) equity:			
Preferred Stock, $.01 par value; 5,000,000 shares authorized; none issued or outstanding	—	—	—
Common stock, $.01 par value; 25,000,000 shares authorized; issued 2,655,775 shares at December 31, 1991 and March 31, 1992 and 12,042,292 shares at March 31, 1992 pro forma	26,558	26,558	120,424
Additional paid-in capital	3,832,229	6,318,415	105,064,987
Accumulated deficit (since May 31, 1985)	(69,800,349)	(77,840,692)	(77,840,692)
	(65,941,562)	(71,495,719)	27,344,719
Less treasury stock (1,475 shares at cost)	(7,375)	(7,375)	(7,375)
Total stockholders' (deficit) equity	(65,948,937)	(71,503,094)	27,337,344
Total liabilities and stockholders' (deficit) equity	$ 5,762,937	$ 7,323,432	$ 29,621,980

The accompanying notes are an integral part of the financial statements.

SERAGEN, INC.

STATEMENTS OF OPERATIONS

(Unaudited)

	For the three months ended March 31,	
	1991	1992
License fees and other revenue	$ 3,126	$ 3,126
Operating expenses:		
Research and development	3,147,883	4,984,101
General and administrative	559,771	1,656,601
	3,707,654	6,640,702
Loss from operations	(3,704,528)	(6,637,576)
Interest expense	1,324,441	1,402,767
Net loss	$ (5,028,969)	$ (8,040,343)
Historical net loss per common share	$ (1.69)	$ (2.70)
Historical shares used in computing net loss per weighted average common share	2,976,365	2,976,584
Pro forma net loss per common share data is based upon the assumed conversion of debt to the majority shareholder into common stock upon the closing of the initial public offering:		
Pro forma net loss per common share	$ (0.55)	$ (0.74)
Pro forma shares used in computing net loss per weighted average common share	7,067,506	9,116,336

The accompanying notes are an integral part of the financial statements.

SERAGEN, INC.

STATEMENTS OF CASH FLOWS

(Unaudited)

	For the three months ended March 31,	
	1991	1992
Cash flows from operating activities:		
Net loss	$ (5,028,969)	$ (8,040,343)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	347,370	356,628
Value of services received as repayment of loans for stock issued	4,425	—
Compensation expense related to stock options granted	—	2,486,187
Changes in operating assets and liabilities:		
Prepaid expenses	25,664	(1,075,393)
Other current assets	(34,252)	(13,734)
Accounts payable	(33,971)	85,881
Accrued interest	1,106,676	(9,142)
Accrued expenses	276,563	844,674
Net cash used in operating activities	(3,336,494)	(5,365,242)
Cash flows from investing activities:		
Purchases of property and equipment	(324,998)	(420,378)
Decrease in other assets	972	972
Proceeds from restricted cash account	4,000	2,240
Net cash used in investing activities	(320,026)	(417,166)
Cash flows from financing activities:		
Proceeds from demand note payable to majority stockholder	3,662,000	6,200,000
Payments under capital lease obligations	(5,480)	(6,760)
Net cash provided by financing activities	3,656,520	6,193,240
Net increase in cash and cash equivalents	—	410,832
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	$ —	$ 410,832
Supplemental disclosures of cash flows information:		
Cash payments for interest	$ 222,000	$ 1,416,000

The accompanying notes are an integral part of the financial statements.

SERAGEN, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

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1. Basis of Presentation

The accompanying financial statements are unaudited (except for those dated as of December 31,1991), and have been prepared by the Company in accordance with generally accepted accounting principles.

Certain information and footnote disclosure normally included in the Company's audited annual financial statements have been condensed or omitted in the Company's interim financial statements. In the opinion of management, the interim financial statements reflect all adjustments (consisting of normal recurring accruals) necessary for a fair representation of the results for the interim periods presented.

The results of operations for the interim periods may not necessarily be indicative of the results of operations expected for the full year, although the Company expects to incur a significant loss for the year ended December 31, 1992. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 1991, which are contained in the Company's Registration Statement on Form S-1 (No. 33-45515), filed with the Securities and Exchange Commission and declared effective on March 31, 1991.

2. Subsequent Event - Initial Public Offering

On April 1, 1991, the Company sold 3,000,000 shares of its $.01 par value common stock at a price of $12 per share in an initial public offering, providing approximately $32 million of net proceeds to the Company. On April 8, 1992, pursuant to an existing agreement in connection with the closing of this offering, the majority investor, Boston University exchanged all outstanding debt of the Company to Boston University for 6,346,852 shares of common stock and all related warrants issued to Boston University under the demand note were surrendered. The demand note payable to a bank was also repaid with proceeds from this offering.

The March 31, 1992 balance sheet is also presented on a pro forma basis as if the net proceeds from the public offering had been received, the demand note to the bank was repaid, and the debt to Boston University was exchanged for common stock and warrants issued under the demand note to Boston University were surrendered.

3. Pro Forma Net Loss Per Common Share

The pro forma net loss per common share is computed based upon the weighted average number of common shares outstanding and certain adjustments described below. Common equivalent shares are not included in the per share calculation where the effect of their inclusion would be antidilutive, except that, in accordance with Securities and Exchange Commission requirements, common and common equivalent shares issued during the twelve month period prior to the initial public offering have been included in the calculation as if they were outstanding for all periods, using the treasury stock method and the initial public offering price of $12 per share. In addition, all outstanding debt under a demand note to the majority stockholder that was exchanged for common stock upon the consummation of the initial public offering is treated as having been exchanged for the period presented.

4. Historical Net Loss Per Common Share

The historical net loss per common share is computed in the same manner as pro forma net loss per common share, except that outstanding debt is not assumed to be exchanged or repaid and shares pursuant to antidilution rights are not assumed to have been issued.

SERAGEN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Seragen is engaged in the discovery, research and development of pharmaceutical products for human therapeutic applications. Since 1985, the Company has focused substantially all of its efforts and resources on research and development of its fusion toxin technology. The Company's fusion toxins were developed using proprietary technology and have potential applications in a wide range of human diseases. To date, the Company has not generated any revenues from the sale of fusion toxin products, and the Company does not expect to receive any such revenues for several years. Seragen expects to incur substantial operating losses over the next several years due to continuing and increasing expenses associated with its research and development programs, including pre-clinical testing and clinical trials. Operating losses may also fluctuate from quarter to quarter as a result of differences in the timing of expenses incurred.

On April 8, 1992, the Company concluded an initial public offering of its common stock. The Company sold 3,000,000 shares of common stock at $12 per share receiving net proceeds of approximately $32 million. Results for the first quarter of 1992 do not reflect consummation of this offering and are not indicative of results expected for the full year although the Company expects to incur a significant loss for the year ended December 31, 1992.

Results of Operations

Three Months Ended March 31, 1992 and 1991. The Company's revenues in each of the three month periods consisted of miscellaneous license fees from areas unrelated to the Company's fusion toxin technology.

Total operating expenses were $6.6 million in the first quarter of 1992 compared to $3.7 million in the same period of 1991. This $2.9 million increase was due primarily to the recording of compensation expense of $2.5 million in the first quarter of 1992 associated with the issuance of non-qualified stock options at below fair value in February 1992. Research and development expenses increased $1.9 million in the first three months of 1992 compared to the same period last year due to the recording of compensation expense mentioned above of $1.7 million. General and administrative expenses increased $1.1 million in the first three months of 1992 compared to the same period last year primarily as a result of recording compensation expense mentioned above of $800,000.

Interest expense increased to $1.4 million in 1992 from $1.3 million in 1991 due to the Company's increased borrowings from Boston University partially offset by lower interest rates. Upon the consummation of the Company's initial public offering, all indebtedness of the Company under a demand note to Boston University was converted to common stock. After consummation of the initial public offering and the repayment of the Company's bank debt with a portion of the net proceeds, the Company's only remaining interest expense will be on its capital lease.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

As of March 31, 1992, the Company had an outstanding loan balance to Boston University of $66.5 million and an outstanding credit line obligation to a bank of $10.0 million. After consummation of the offering, all outstanding debt of the Company to BU was exchanged for common stock and the Company used a portion of the net proceeds to repay the bank debt including all interest thereon after which the line of credit was terminated.

Prepaid expenses increased to $1.3 million as of March 31, 1992, principally due to deferred costs associated with the Company's initial public offering.

As of March 31, 1992, the Company had $10.5 million invested in property and equipment, consisting primarily of leasehold improvements to the Company's pilot manufacturing facility, laboratory facilities and laboratory equipment.

The Company expects to incur further substantial research and development expenses as it continues development of its fusion toxins. It is currently involved in negotiations to secure research and consulting arrangements in support of its research on fusion toxins. The Company also expects to incur substantial administrative and commercialization expenses in the future. The Company's requirements for working capital will depend on many factors, including the progress and costs associated with its research, pre-clinical and clinical development efforts, and the level of resources which the Company may devote to obtaining regulatory approval and manufacturing and selling its products.

The Company plans to finance these substantial cash needs through the proceeds from its initial public offering and potential future equity or debt financings. The Company may also enter into collaborative relationships with large pharmaceutical companies or with others that could provide funding to the Company. There can be no assurance that arrangements with collaborative partners or others will be available to the Company, and no assurance can be given that additional equity or debt financing will be available on acceptable terms, if at all to fund the Company's future working capital requirements. The Company anticipates that the net proceeds from its initial public offering, together with interest thereon, will be sufficient to fund the Company's working capital requirements through November 1993. The Company's ability to finance its operations beyond November 1993 is dependent upon its ability to raise additional capital.

SERAGEN, INC.

PART II

OTHER INFORMATION

Item 2. Change in Securities

At the special meeting in lieu of the annual meeting of the Company's stockholders held on February 5, 1992 (the "Special Meeting"), the Company's Certificate of Incorporation and By-Laws were modified. The Company's Certificate of Incorporation and By-Laws include rights of the holders of the Company's common stock, $.01 par value per share (the "Common Stock"). The modifications approved at the Special Meeting are briefly described in Item 4 below. The general effect of such modification is described in "Description of Capital Stock," at pages 50-51, of the Company's Prospectus included in the Registration Statement on Form S-1 (Registration No. 33-45515) declared effective by the Securities and Exchange Commission on March 31, 1992, which description is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

The Special Meeting of the stockholders of the Company was held on February 5, 1992. At the Special Meeting, the number of directors of the Company was fixed at twelve and the following individuals were elected as directors: John E. Bagalay, Jr., Richard M. Burnes, Jr., Gerald S.F. Cassidy, Kenneth G. Condon, Theodore W. Griesinger, James M. Howell, Norman A. Jacobs, John R. Murphy, John R. Silber, Richard C. Svrluga, Charles W. Smith and Gerald W. Stern. The following additional actions were voted upon by the stockholders at the Special Meeting.

1. The Company's Restated Certificate of Incorporation was amended (the "Amendment to the First Restated Certificate of Incorporation") to increase the authorized number of shares of stock of the Company from 8,000,000 to 30,000,000, of which 25,000,000 shares are designated as common stock, $.01 par value per share, (the "Common Stock"), and 5,000,000 shares are designated as preferred stock, $.01 par value per share, which shares of preferred stock shall be subject to issuance by the Company's Board of Directors with such designations, powers, preferences and rights as determined by the Board of Directors. The holders of shares of capital stock of the Company entitling holders thereof to an aggregate of 2,485,743 votes voted for the Amendment of the First Restated Certificate of Incorporation. There were no votes against the Amendment of the First Restated Certificate of Incorporation and no abstentions.

2. Effective upon the execution and delivery of an Underwriting Agreement for a public offering of the Company's Common Stock (the "Offering"),which Underwriting Agreement has been executed and delivered, and the effectiveness of the Amendment to the First Restated Certificate of Incorporation, which Amendment became effective on February 6, 1992, the First Restated Certificate of Incorporation was further amended and restated to, among other things, (a) eliminated the ability of stockholders to act by written consent; (b) provide that meetings of stockholders may be called only by the Chairman of the Board of Directors or the President of the Company or the Board of Directors; and (c) provide that only the Board of Directors may increase the size of the Board of Directors, and fill any vacancies on the Board of Directors. The holders of shares of capital stock of the Company entitling the holders to an aggregate of 2,485,743 votes voted for the amendment and restatement of the First Restated Certificate of Incorporation. There were no votes against the amendment and restatement of the First Restated Certificate of Incorporation and no abstentions.

3. Effective upon the execution and delivery of the Underwriting Agreement for the offering, which Underwriting Agreement has been executed and delivered, the By-Laws of the Company were amended and restated, to, among other things; (a) set forth indemnification provisions for officers and directors to provide indemnification to the greatest extent permitted by law; (b) require advance notice for nominations of directors and other proposals by stockholders for consideration at stockholder meetings; (c) allow the Chairman of the Board of Directors or the President of the Company or the Board of Directors to call a special meeting of the

stockholders and (d) set forth certain administrative changes. The holders of shares of capital stock of the Company entitling holders thereof to an aggregate of 2,485,743 votes voted for the amendment and restatement of the By-Laws of the Company. There were no votes against the amendment and restatement of the By-Laws of the Company and no abstentions.

4. The Seragen, Inc. 1992 Long Term Incentive Plan (the "Incentive Plan") was adopted, which provides for the issuance of options to purchase shares of Common Stock and the grant of stock appreciation rights, restricted stock, deferred stock and other stock based awards to officers, employees and consultants of the Company and members of the Company's Scientific and Medical Advisory Board. 2,300,000 shares of Common Stock have been reserved for issuance under the Incentive Plan. The holders of shares of capital stock of the Company entitling holders thereof to an aggregate of 2,483,707 votes voted for the adoption of the Company's Incentive Plan and the holders of shares of capital stock of the Company entitling holders thereof to an aggregate of 2,036 votes voted against the adoption of the Company's Incentive Plan. There were no abstentions.

5. The Seragen, Inc. Non-Employee Director Non-Qualified Stock Option Plan (the "Director Plan") was adopted, which provides for the issuance of options to non-employee directors of the Company to purchase up to an aggregate of 200,000 shares of Common Stock at the fair market value of the Common Stock on the date the option is granted. Each non-employee director of the Company shall be entitled to receive an option to purchase a maximum of 5,000 shares of Common Stock on the first date elected to serve as a director (or on February 5, 1992, if later), subject to reduction if the director has previously been granted options due to his service as a director, and an additional option to purchase 1,000 shares of Common Stock at the commencement of each subsequent 12 month period in which the director is elected to continue in office. The options acquired under the Director Plan are exercisable upon completion of a full term of office as a director after the grant, and if the term is not completed or if the Director fails to attend at least 75% of the regularly called board meetings during such term the options will be forfeited. The holders of shares of capital stock of the Company entitling holders thereof to an aggregate of 2,485,743 votes voted for the adoption of the Company's Director Plan. There were no votes against the adoption of the Company's Director Plan and no abstentions.

6. The Seragen, Inc. Employee Stock Purchase Plan (the "ESPP") was adopted, which provides for the purchase by eligible employees of up to an aggregate of 50,000 shares of Common Stock pursuant to Section 423 of the Internal Revenue Code. The holders of shares of capital stock of the Company entitling holders thereof to an aggregate of 2,845,743 votes voted for the adoption of the Company's ESPP. There were no votes against the adoption of the Company's ESPP and no abstentions.

SERAGEN, INC.

EXHIBIT INDEX

Exhibit		Page
4.5	Restated Certificate of Incorporation ..... (Previously filed with the Commission as Exhibit 3.2, and incorporated herein by reference from the Registrant's Registration Statement on Form S-1, Registration No. 33-45515)	
4.6	By-Laws of the Registrant ..... (Previously filed with the Commission as Exhibit 3.4, and incorporated herein by reference from the Registrant's Registration Statement on Form S-1, Registration No. 33-45515)	
11.1	Statement Re Computation of Loss Per Share	13

SERAGEN, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Seragen, Inc.

Date: May 13, 1992

by: _____
Richard C. Svrluga
President and
Chief Executive Officer
(Principal Executive Officer)

Date: May 13, 1992

by: _____
Theodore W. Griesinger
Executive Vice President
(Principal Financial Officer)

Date: May 13, 1992

by: _____
John J. Curty
Director of Finance
and Administration
(Principal Accounting Officer)

Exhibit 11.1

SERAGEN, INC.
STATEMENT RE COMPUTATION OF LOSS PER SHARE (1)

(Unaudited)

	Pro forma		Historical	
	For the three months ended March 31,		For the three months ended March 31,	
	1991	1992	1991	1992
Common stock outstanding, beginning of year	$ 2,654,081	$ 2,654,300	$ 2,654,081	$ 2,654,300
Issuance of cheap stock (2)	322,284	322,284	322,284	322,284
Effect of exchanging debt and warrants for common stock (3)	4,091,141	6,139,752	—	—
Weighted average shares of common stock outstanding at end of year	7,067,506	9,116,336	2,976,365	2,976,584
Net loss	$ 5,028,969	$ 8,040,343	$ 5,028,969	$ 8,040,343
Modification of net loss due to elimination of interest expense on debt to be exchanged	1,123,825	1,268,423		
Modified net loss	$ (3,905,144)	$ (6,771,920)		
Net loss per common share	$ (0.55)	$ (0.74)	$ (1.69)	$ (2.70)

(1) Due to losses incurred in each period presented, the inclusion of common stock equivalents (other than pursuant to cheap stock) would be antidilutive and therefore they are not included in the loss per share computations.

(2) In accordance with SEC Staff Accounting Bulletin 83, issuances of common stock and options to purchase common stock one year prior to the initial filing of the Company's Registration Statement for its initial public offering at prices below the initial offering price of $12 per share ("Cheap Stock") have been included for all periods presented, which is antidilutive due to the net loss in each period.

(3) Upon completion of the public offering, the demand note payable to majority stockholder was exchanged for shares of common stock. Accordingly, the pro forma net loss per common share calculation has assumed the exchange of such debt outstanding presented for common stock. Additionally, reflected in the pro forma net loss per common share are shares issued upon the exchange of this debt for common stock pursuant to antidilution rights.